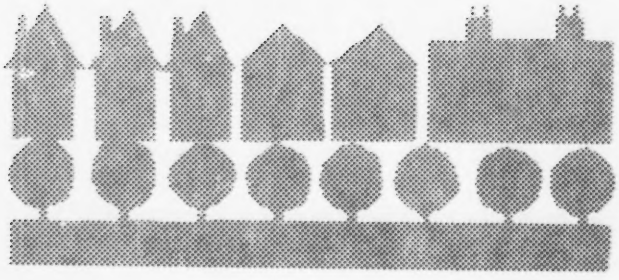
HOUSING NEEDS : AN APPRAISAL
1981 ~ 2001

Background Report Number Three:

Housing Policy Issues



THE REGIONAL MUNICIPALITY OF WATERLOO

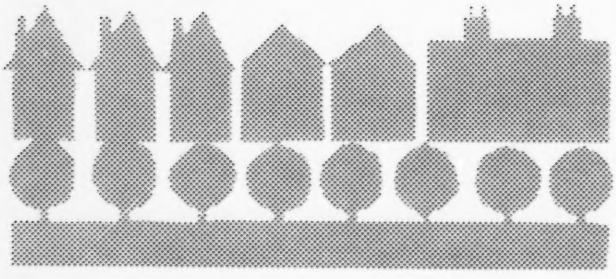
DEPARTMENT of PLANNING and DEVELOPMENT

August 1982

HOUSING NEEDS : AN APPRAISAL 1981 ~ 2001

Background Report Number Three:

Housing Policy Issues



REGIONAL DEPARTMENT OF PLANNING & DEVELOPMENT
BILL THOMSON, Commisioner.

August 1982

PREFACE

BACKGROUND

In March 1981 Regional Council approved the undertaking of a study to update the 1975 Regional housing study - Housing: a program for action. The purpose of the present study is to assess housing demands and needs in the Region of Waterloo in light of changes in economic activity, population growth rates and government programs. The study was funded by a Municipal Housing Statement Update grant from the Ministry of Municipal Affairs and Housing.

NEED FOR A HOUSING STATEMENT UPDATE

In 1975, the 1981 population forecast of the Region of Waterloo was 337,500 people (low forecast). This forecast assumed that net migration into the Region of Waterloo between 1976 and 1981 would be 20,000 people. This assumption was based on an estimated net migration figure of just over 20,000 people between 1971 and 1976. In actual fact net migration into the Region of Waterloo between 1976 and 1981 was only 5,000 people. This lower than anticipated net migration figure accounts almost entirely for the unexpected decline in population growth of the Region of Waterloo to 307,535 people in 1981. The effect of a lower population growth rate on household formation has been a significant decline in the growth of the number of new households in the Region of Waterloo between 1976 and 1981.

In addition to population changes, unforeseen changes in several other areas have greatly affected the housing market in this Region since 1975. The Ontario and Regional economies are experiencing less economic

growth than was anticipated. In addition, high mortgage rates have affected the purchase of ownership units as well as the construction of rental units. Rent controls have contributed to uncertainty in the rental market, and a drop in rental construction. And federal and provincial housing programs have undergone significant change, with an emphasis now being placed on energy conservation.

In addition to the above, in the Regional response to the 1980 "Annual Housing Review" conducted by the Province, several members of the Regional Planning and Development Committee raised the concern that the need for assisted housing was being underestimated by the local housing authorities.

STUDY ORGANIZATION

This study was undertaken by the Regional Department of Planning and Development with the assistance of a Housing Study Technical Advisory Committee. This Committee was composed of representatives from senior levels of government, the Area Municipalities, the building industry, lending institutions, Regional Departments and other agencies. The Technical Advisory Committee provided assistance in establishing housing issues and reviewing this report. The Committee was extremely valuable throughout this study and their efforts are very much appreciated.

There was general support from members of the Technical Advisory Committee for the recommendations contained in

this report. The diversity of the interest of members of the Technical Advisory Committee would not permit a common position on some recommendations, such as rent controls. Nevertheless, many of their concerns have been taken into account in this study.

HOW THE REPORT IS TO BE USED

This report provides a comprehensive picutre of the implications of changing population, economic, social and public policy trends for the housing sector within Waterloo Region. It therefore exposes some of the issues to be considered by public decision-makers and private investors in responding to these trends. However, the estimates of future requirements are intended as guidelines and are not intended to be firm commitments which delivery agencies are required to assume. Similarly the recommendations for action indicate the most informed response which should be considered in overcoming the problems identified in this study. Consequently, as conditions change there must be a continuing commitment to monitor these changes, to re-interpret their effects and to adjust policies.

A Region-wide study such as this provides a consistent framework for individual action by Area Municipalities. Having agreed on an acceptable methodology, and on the basis of future action on a Regional scale, municipal programs can be developed more quickly and with greater co-ordination.

TECHNICAL ADVISORY COMMITTEE

Chairman - Mr. Vic Cote, Regional Department of Planning and Development

Building Industry

Urban Development Institute - Mr. Bill Robertson and Mr. Paul Dietrich
K-W H.U.D.A.C. - Mr. Greg Voisin
- Mr. Ken Allen (renovation)
Cambridge H.U.D.A.C. - Mr. Paul Delaney

Realtors

K-W Real Estate Board - Mr. Brian Gould
Real Estate Board of Cambridge - Mr. Hugh Priest

Apartment Managers

K-W H.U.D.A.C. Multi-Family Council - Mr. David Collins
Waterloo Regional Apartment Management Association - Mr. Tony Bergmeir

Lending Institutions

Bankers Association of Canada - Mr. John Schiedel

Student Housing

Wilfrid Laurier University - Mr. Fred Nichols

Housing Authorities

South Waterloo Housing Authority - Mr. Gary Foran
North Waterloo Housing Authority - Mr. Jim Thompson

Physically Handicapped

Ontario March of Dimes - Mr. David Dirks

K-W Social Planning Council - Mr. Ernie Ginsler

Federal Government

Canada Mortgage and Housing Corporation - Mr. Ron Cascaden

Provincial Government

Ministry of Municipal Affairs and Housing
- Ms. Judy Zon

Area Municipalities

Kitchener - Ms. Sybil Frenette
Cambridge - Ms. Joy Rayner
Waterloo - Mr. Greg Romanick
Woolwich and North Dumfries - Mr. Sam Head
Wellesley - Ms. Susan Duke
Wilmot - Mr. Bill Lehman

Region of Waterloo

Department of Health and Social Services
- Ms. Linda Snyder
Department of Planning and Development
- Mr. Frank Watty
- Ms. Wendy Wright
- Mr. Dave Gosnay (Recording Secretary)

REGIONAL HOUSING STUDY : AN APPRAISAL
1981-2001

BACKGROUND PAPER NO. 3 : HOUSING POLICY ISSUES

1. INTRODUCTION

This report contains a discussion of housing policy issues in the Region of Waterloo. These issues largely originated from discussions with the Technical Advisory Committee formed to serve in an advisory capacity for this Housing Study. This report is part of three background papers prepared for the Regional Housing Study. Background Paper #1 forecast household growth and housing tenure in the Region and area municipalities to the year 2001 and Background Paper #2 looks at special housing needs. These papers form the basis for the Summary and Recommendation Report.

Several policy issues emerged during the development of this Housing Study which require further discussion. First, government programs being used in this Region for the delivery of assisted rental housing were found to be insufficient for meeting the expected need for assisted rental housing. Alternative programs and approaches are discussed in this report. Second, the effect of rent controls on landlords and tenants as well as the supply of rental housing has emerged as an important policy issue. The advantages and disadvantages of rent controls are discussed in this report. The third and last policy issue which is discussed in this section, is housing rehabilitation. This issue emerged as a result of a growing emphasis at the provincial level towards residential rehabilitation and renovation, as both an energy conserving practice as well as a means for increasing density and population in downtown areas.

For explanations of many of the terms used in this report see the glossary of terms contained at the back of this report.

2. PROVISION OF ASSISTED RENTAL HOUSING

By applying estimates of percentage population for each special needs group having an expenditure income ratio over a defined affordability level, it is estimated that there is a need for an additional 424 assisted rental housing units for families and 355 assisted rental housing units (low estimate) for seniors in 1981. By taking a lower affordability level for seniors, which is defined by an expenditure income ratio of 35% rather than 40%, it is estimated that there is a present need for 560 additional assisted rental housing units. By 1986, need for additional assisted rental housing units for both groups is expected to grow significantly. This is shown on Tables 1 and 2.

TABLE 1

ESTIMATED NEED FOR ASSISTED RENTAL HOUSING FOR SINGLE PARENT FAMILIES BY MUNICIPALITY

Municipality [1]	1981 (11.4%) [2]	1986 High (15%) [3]	1986 Low (11.4%) [2]
Kitchener	221	330	251
Cambridge	89	133	101
Waterloo	102	152	115
Woolwich	6	8	7
Wilmot	3	5	3
Wellesley	2	3	2
North Dumfries	1	2	1
REGION	424	633	480

1) The allocation of need for additional assisted rental housing units for single parent families by municipality is based on the percentage allocation of rental households by municipality.

2) In a survey conducted for this study of rental households it was found that 11.4% of all single parent families renting spent more than 35% of their gross income on accommodation.

3) The high forecast in 1986 assumes that because of economic conditions 15% of all single parent households renting will report a housing expenditure/income level over 35% in 1986, compared to 11.4% in 1981.

TABLE 2

ESTIMATED NEED FOR ASSISTED RENTAL HOUSING FOR SENIOR CITIZENS

Municipality 1)	1981		1986	
	High (35%) 2)	Low (40%) 3)	High (35%) 2)	Low (40%) 3)
Kitchener	274	175	394	250
Cambridge	160	101	230	146
Waterloo	81	52	117	74
Woolwich	24	15	34	21
Wilmot	10	6	14	9
Wellesley	7	4	10	6
North Dumfries	4	2	6	4
REGION	560	355	805	510

1) The allocation of need by municipality for additional rental households for senior citizens is based on the percentage allocation of rental households by municipality, for heads of households over 65 years of age.

2) The high estimate is based on the need for assisted rental housing being defined by a housing expenditure/income ratio of 35% for senior citizens renting.

3) The low estimate is based on the need for assisted rental housing being defined by a housing expenditure/income ratio of 40% for senior citizens renting.

The provincial and federal governments provide several housing programs to address the affordability difficulties of seniors and single parent families. Federal programs include the Private Non-Profit Housing Program and Co-operative Housing Program, and provincial programs include the Municipal Non-Profit Housing Program and the Rent Supplement Housing Programs. In this Region only the Private Non-Profit Housing Program and the Rent Supplement Program are currently being used to deliver assisted rental housing units. Most of the senior citizen assisted rental units are being delivered under the Private Non-Profit Housing Program, and most of the assisted family housing under the Rent Supplement Program. In the past many of the assisted rental units were built directly by the Ontario Housing Corporation. When this program ceased in the late 1970's, a tremendous gap was created in the delivery of assisted rental housing, particularly housing for families. The Province had expected municipalities to take greater advantage of the Municipal Non-Profit Housing Program, which hasn't materialized because of municipal inexperience in the housing field.

Senior levels of government recognizing that there is a need for greater housing assistance for families, seniors and individuals with affordability difficulties have talked seriously about instituting a shelter allowance program. This program attaches assistance to income rather than to a specific dwelling unit. Several groups have supported this concept and it is likely that some type of shelter allowance program will be introduced in the future. Anticipating this, a discussion is contained in this report on alternative shelter allowance programs and on the advantages and disadvantages of shelter allowance programs.

Before discussing the details of each alternative assisted housing program, a discussion is presented on the needs analysis which is required to be undertaken for these various programs. The forecasts contained in this report are estimates of needs and not estimates of demand. A demand estimate requires a detailed evaluation of assets and income which is beyond the scope of this paper. Nevertheless, this demand analysis would have to be undertaken prior to projects being developed and therefore, should be discussed.

i) Needs Analysis

Both the provincial and federal governments require a demonstration of need for both market rent and rent-geared-to-income units prior to approving funding for an assisted rental project. For the non-profit and co-operative housing programs need is normally established by a detailed needs survey. This survey assesses, in detail, income, including assets, percentage of income expenditure on rent or shelter cost, family size, overcrowding and health factors. A copy of the standard survey used by the Ministry of Municipal Affairs and Housing is contained in Appendix A.

For the Rent Supplement Program an estimate of demand from the housing authorities' waiting lists normally provides the estimate of need for additional rent supplement units. This estimate is based on the expected growth in the waiting lists, expected turnover rate in existing housing authorities' managed units and an estimate of serious need amongst applicants. Housing authorities may also request the Ministry of Municipal Affairs and Housing to undertake a detailed analysis of their waiting lists. The South Waterloo Housing Authority undertook a detailed analysis of its waiting list in October, 1981. A detailed analysis of the North Waterloo Housing Authority's waiting list was completed in June, 1982.

At the outset of this housing study, it was decided that a detailed needs survey would not be conducted as part of this study. This decision was based primarily on the fact that no delivery mechanism for assisted rental housing, or commitment to provide assisted rental housing, existed at the Regional or Municipal level prior to undertaking this study. It was also felt that a detailed needs survey could be conducted by the Region or any Area Municipality after the completion of this study, while, at the sametime, make use of the results of this study.

Rather than a detailed needs survey the Region undertook a more general needs survey as part of this Housing Study. From this survey it was possible to estimate expenditure/income ratios for rental accommodation for both single parent families and senior citizens. By applying these ratios to estimated Regional populations of single parent families and senior citizens who rent, it was possible to

estimate need but not demand for assisted rental housing. A municipal or private non-profit project could not be undertaken based on this survey. The survey does, however, illustrate a need, which in turn a municipality or private non-profit group may use as a starting point for developing an interest in a non-profit housing project. It may also be used by lending institutions as an indication of need.

An initial step in the process of developing a municipal or private non-profit housing project, however, would be the undertaking of a detailed needs survey.

ii) Federal Assisted Affordable Housing Programs

There are presently two programs available from the federal government which can be used to provide affordable housing. These programs include the Private Non-Profit Housing Program and the Co-operative Housing Program.

Because of a tightening of federal funds for housing both programs have serious limitations in their ability to meet expected need for affordable housing in this Region. Over the last 4 years, an annual volume of approximately 125 units have been directed to the Region. Given the fair share provisions followed by C.M.H.C. in allocating units to all municipalities and budget constraints, it is unlikely that a significantly larger volume of assisted rental housing can be expected. This includes units developed under the Private Non-Profit Program for both families and seniors as well as the Co-operative Housing Program. Based on the estimates of need shown on Tables 1 and 2 of this report, this allocation will not match the expected growth in need for assisted rental housing between 1981 and 1986. Therefore, under current budget constraints, the federal programs must be viewed as being insufficient in meeting the need for assisted rental housing in this Region.

Following is an outline of both the Private Non-Profit Program and Co-operative Housing Program.

Private Non-Profit

The Private Non-Profit Rental Housing Program, which is administered by Canada Mortgage and Housing Corporation, supports private non-profit groups in the delivery of assisted rental housing. The financial incentives for the program include:

- financial assistance to develop a proposal,
- National Housing Act insured mortgage loans for up to 100% of the value of a project,
- an annual federal rent reduction grant to help offset operating cost. The effect of this grant is to reduce the market interest rate for these projects to as low as 2%, and
- funding for repairs and modifications where existing housing is acquired.

The Program provides for the delivery of rental housing; which includes units occupied by low-income tenants. The interest rate reduction grant enables units in these projects to be offered for rent at the low end of the market scale. In addition, the grant enables a reduction in rent for low-income tenants. It is estimated that from 20% to 25% of the tenants in these projects (at most) receive this additional rental assistance.

Where a project provides rental housing to primarily low-income tenants, the federal level of assistance may be insufficient to support a project. In these cases, federal funding is conditional on the private non-profit corporation obtaining funding from other sources. The effect of the financing arrangements of this program, is to make the project a "non-cost project" for the private non-profit corporation.

In the Region of Waterloo private non-profit corporations to date have only delivered assisted rental housing for seniors. One group in 1982, however, has shown an interest in delivering assisted rental housing for families. Table 3 shows that as of December, 1981 there were 626 units delivered under the Private Non-Profit Housing Program; 25% or 156 units which could be assumed to be available for low-income tenants.

Co-operative Housing Program

Co-operative Housing can take a variety of forms including single or multiple family housing, hostel accommodation or group homes. In these projects a resident owns part of the project. Because of assistance provided by Canada

TABLE 3

SENIOR CITIZEN ASSISTED RENTAL HOUSING

DECEMBER, 1981

MUNICIPALITY	DIRECTLY BUILT*		RENT SUPPLEMENT		NON-PROFIT 3)		ALL TYPES	
	Total[1]	Single Senior[2]	Total[1]	Single Senior[2]	Total[1]	Single Senior[2]	Total	Single Senior[2]
KITCHENER	684	627	221	178	72	66	977	871
CAMBRIDGE	543	498	59	48	412	378	1,014	924
WATERLOO	61	56	20	16	118	108	199	180
NORTH DUMFRIES								
WELLESLEY	16	15					16	15
WILMOT								
WOOLWICH	46	42			24	22	24	22
REGION	1,350	1,238	300	242	626	574	46	42
							2,276	2,054

1/ Source: North Waterloo Housing Authority and South Waterloo Housing Authority

2/ The numbers of single senior citizens in the senior citizen housing units will vary slightly from time-to-time. Based on estimates of current occupancy for rent supplement and directly built units the following assumptions were used for all units: Directly Built 91.7% single seniors, rent supplement 80.6% single seniors and non-profit 91.7% single seniors.

3/ The number of non-profit units includes rent-geared-to-income units in these projects which are contracted under the Rent Supplement Program.

* Directly Built refers to units built and managed by the Ontario Housing Corporation.

Mortgage and Housing Corporation (C.M.H.C.), monthly payments are generally less than for similar accommodation.

Assistance includes:

- financial assistance to develop a proposal,
- National Housing Act insured mortgage loans for up to 100% of the value of a project,
- Subsidization of mortgage payments to reduce interest rate payments from market rates to 2%, and
- funding for repairs and modifications where existing housing is acquired.

The 2% interest reduction grant can be applied both to mortgage expenses and operating costs. The assistance is first used to reduce monthly payments to the low end of the market scale. After this, the remaining assistance can be provided to low income tenants to further reduce their payments. After the third year of the project, the co-operative mortgage payments increase by 5% per annum. At this point, more of the assistance payments should be available for lower income residents.

Although this program has been used extensively to deliver affordable housing in other Regions in Ontario and Canada, no co-operative housing projects have been developed in this Region. Recently, however, two groups have shown an interest in developing a co-operative housing project for physically handicapped people. It should be pointed out again, however, that the development of these projects would only be done subject to C.M.H.C. budget constraints which currently would provide approximately 125 to 150 social housing units per annum in this Region.

iii) <u>Provincial Assisted Rental Housing Programs</u>

There are presently two programs available at the Provincial level which can be used to provide additional assisted rental housing. These programs include the Rent Supplement Program and the Municipal Non-Profit Housing Program. In addition the province provides assisted rental housing in projects directly built by the Ontario Housing Corporation. This program ceased to deliver assisted rental housing in this Region in the mid 1970's.

The funding available for provincial assisted rental housing programs is limited for any geographical area by a federal-provincial fair-share-agreement; which determines the total assisted rental housing which can be delivered in any geographical area. Whether these units are delivered under provincial or federal programs should not in theory change the number of assisted rental units being delivered. In practice, however, we find that the provincial budget allocation for municipal non-profit is not being fully utilized and as a result, some municipalities have increased their number of assisted rental units beyond their allocation under the fair-share-agreement. Also, by delivering units under the rent supplement program as opposed to the private non-profit program, where 100% of the units are assisted rental housing compared to only 25% in the latter, the number of assisted rental units can be increased.

Rent Supplement Program

The rent supplement program, although providing assisted rental housing, does not aid in the construction of rental housing. The program relies rather on rental housing being made available by the private sector to the local housing authority. The Province of Ontario, however, has in the past required that a specified percentage of rental units developed in projects with provincial assistance be offered to the local housing authority as rent supplement units. For example, the Ontario Rental Construction Loan Program, under which 1,385 rental units have been committed in this Region, requires that 20% of the units constructed be offered to the local housing authorities. The new federal Program (Canada Rental Supply Plan) which is designed to stimulate rental construction requires that up to 25% of the units be made available to housing authorities for rent supplement units.

The principle of the Rent Supplement Program is to provide assisted rental housing in private projects; thereby providing a greater degree of integration for assisted rental households than projects which were directly built by the Ontario Housing Corporation. Under the provisions of the Rent Supplement Program up to 25% of the units in a project may be assigned as rent supplement units.

Under the terms of the program rental units are leased by the local housing authority from landlords for a minimum three year period. The agreement provides for an agreed to market rent and an annual review of this rent level. Units are then offered by the local housing authority to families and seniors on its waiting list. The rent that these households pay is dependent upon their income. The difference between the market rent paid for the unit and the rent paid by the tenant is the operating subsidy which

is shared equally by the federal and provincial governments.

The type and number of units accepted under the Rent Supplement Program is determined from the waiting list of the local housing authority. As previously indicated, this assessment of the authority's waiting list is normally based on the housing authority's own assessment of their waiting list or in some cases on a detailed evaluation of the housing authority's waiting list by the Ontario Housing Corporation.

The Rent Supplement Program has two serious limitations which affect its ability, including its efficiency, in providing assisted rental housing. First, the program does not by itself deliver assisted rental housing. It has been the experience of municipalities in Ontario where vacancy rates are low, that landlords no longer view the guaranteed occupancy provisions of the Rent Supplement Program as an attractive feature. In fact, it has been the experience of many municipalities with low vacancy rates that once the lease expires on rent supplement units, that these units are no longer available to the local housing authority because they can be rented without much difficulty in the private market. To overcome this problem, the Province of Ontario and Federal Government have made it a requirement of some provincially assisted and/or federally assisted rental projects, to offer a specified percentage of units developed to the local housing authorities. Often, however, these projects are initiated without first assessing the needs of local housing authorities.

The second major limitation of the Rent Supplement Program is that it has been found to be costly in the long run for a program which delivers assisted rental housing. For example, some of the two bedroom units constructed under the Ontario Rental Construction Loan Program and offered to local housing authorities as rent supplement units have been in excess of $400/month. This is far more than the rental units which were directly built by the Ontario Housing Corporation. Over the length of the lease agreement with the private landlord the rental cost of rent supplement units will increase as market rents increase. With assisted rental projects developed by non-profit housing corporations and directly built by the Ontario Housing Corporation, the rental cost of units only increases when real costs increase (e.g. mortgage renewal, maintenance costs, etc.) or when a tenant's ability to pay a higher rent increases.

Municipal Non-Profit

The Ministry of Municipal Affairs and Housing makes assistance available to municipally owned non-profit corporations whose main purpose it is to supply adequate low-rental accommodation for families and seniors. The financial incentives of the Program include:

1) for municipalities developing their first municipal non-profit project:

- grants of up to $5,000 for municipalities to assess the viability of a municipal non-profit project, and
- interest free loans for up to 1.75% of the estimated project costs for administration and development costs. Additional interest-free loans for technical consultant's fee may also be approved, subject to program criteria being met.

2) capital funding:

- National Housing Act insured mortgage loans for up to 100% of the value of the project.

3) operating funding:

- an annual federal rent reduction grant to help offset operating losses. The effect of this grant is to reduce the interest rate to 2% over a 35 year loan amortization period,
- the province offers an additional rent reduction grant of up to 100% of the federal rent reduction grant if required to offset operating losses, and
- additional operating losses are shared on a 50:50 ratio by the federal and provincial governments.

The effect of available grants and funding is to make the Municipal Non-Profit Housing Program a non-cost item for the participating municipality.

Under the municipal non-profit program up to 25% of the units developed in a project for families can be made available for families requiring rent-geared-to-income-housing. In senior citizen projects up to 50% of the units can be made available for senior citizens in need of assistance. The remaining units are rented at market rents.

Municipal Participation

Except for the City of Toronto, Metropolitan Toronto, the Region of Peel and the City of Ottawa and small senior citizen projects developed by rural Townships, there has been little participation by municipalities in the Municipal Non-Profit Housing Program. It appears that most municipalities have stayed away from the program because they do not view their municipal role as a delivery mechanism for assisted rental housing. This, coupled with the fact that municipalities do not have existing staff who can co-ordinate and manage a non-profit housing corporation has resulted in a low level of interest in participating in the program.

The Region of Peel's involvement with municipal non-profit stems directly from a housing study undertaken in Peel. As a consequence of that study a senior citizen project was developed with 90 units. The initial project was co-ordinated by existing staff in the Region's Social Services Department. It was only after additional projects were undertaken that permanent staff were hired. Peel's Non-Profit Corporation in 1981 owns and manages 230 senior citizen units (approximately 160 units which are assisted rental housing units) and 335 family units (approximately 90 units which are rent-geared-to-income units). Additional projects are planned to come on-stream in 1982. For each of the existing projects there is a substantial waiting list. In addition to this waiting list, a detailed needs survey is undertaken each year in order to determine need. Peel's Non-Profit Corporation has approximately 17 staff members. This includes a director, 3 project managers and development and project officers who are responsible for tendering, construction and funding arrangements.

The City of Ottawa has been involved with municipal non-profit housing since 1976. The Ottawa Housing Corporation was formed as a result of a Municipal Housing Statement

undertaken by the City of Ottawa in 1974. The housing study identified a need for assisted rental housing that wasn't being fulfilled. Presently the corporation manages 723 assisted rental senior citizen units and 1,359 family units. In addition, there are 150 family units under construction. In new projects 6% of the units constructed are designed to be barrier free for handicapped people. The corporation has a waiting list of 900 families and 100 senior citizens for assisted rental housing. This waiting list serves as the basis for their needs assessment for new projects. The Ottawa Housing Corporation has 35 staff members including project managers, policy implementation staff, staff who deal with new acquisitions and staff who deal with the specifics of project development.

In addition to the City of Ottawa's involvement in municipal non-profit, four other municipalities in the Region of Ottawa-Carleton have been involved in municipal non-profit. These corporations, except for a project manager, do not employ full time staff and were formed primarily to deliver small senior citizen housing projects.

Within Metropolitan Toronto both the City of Toronto and Metropolitan Toronto are involved in delivering assisted rental housing. The City of Toronto manages 3,100 family units and currently has a waiting list of 4,000 families. This list serves as their needs assessment for assisted rental units in new projects. However, a market survey is done for non-assisted units. The City does not manage any senior citizen units. Metropolitan Toronto's Non-Profit Housing Corporation manages senior citizen projects within the City of Toronto and both family and senior citizen projects within the rest of Metropolitan Toronto.

iv) Summary and Conclusions

Under the budget constraints tied to the federal government's housing programs for assisted rental housing, and the questionable viability of the Province's Rent Supplement Program, in areas where vacancy rates are low, it is likely that only those households which are experiencing significant affordability problems will be accommodated in assisted rental housing in this Region. With present economic conditions, it is expected that the number of single senior citizens and single parent families in need of housing assistance will increase at a faster rate than

assisted rental units provided. If, however, an area municipality was to establish a municipal non-profit housing corporation, the provisions of this provincial program could possibly allow additional assisted rental units to be supplied for both seniors and/or families.

The initial step in forming a municipal non-profit housing corporation would be the undertaking of a detailed needs survey to establish the type and number of units required. The Ministry of Municipal Affairs and Housing requires that a detailed needs survey be done in conjunction with a Municipal Housing Statement. They have agreed that area municipalities in this Region could largely rely on the Regional Housing Statement if they choose to undertake a detailed needs survey. A detailed needs survey should only be undertaken if the municipality is prepared to follow the survey with a municipal non-profit project if need is found to be warranted. Otherwise, if a substantial delay in delivering assisted rental housing units is encountered after this survey, the detailed needs survey may be considered out-dated by funding agencies.

One of the major difficulties encountered by municipal non-profits corporations is location of projects. Often neighbourhood groups and citizens will protest the location of projects in their neighbourhood. There is a misconception amongst these groups that non-profit housing projects are 100% comprised of assisted rental units. In actual fact, the percentage of assisted rental units in these projects is often less than 20%.

An alternative to municipalities directly getting involved with the delivery of assisted rental housing in order to meet the needs identified in this Study, could be the introduction of shelter allowances. This form of assistance attaches an income supplement to the household rather than attaching assistance to a specific rental unit. Since the federal government is seriously considering introducing such a program, this alternative is examined in this Study.

v) Shelter Allowances

The programs discussed in the preceding section to assist households in affording housing were based on the delivery of assisted rental units and tying assistance to the particular unit rather than to the tenant. This approach

has received considerable criticism for various reasons. First, delivery programs can be inequitable. Those households fortunate enough to obtain an assisted unit benefit but those households who spend an extended time on waiting lists often experience considerable hardship. Second, projects with assisted rental units are often identifiable and tenants are often categorized. Some non-profit organizations have also experienced difficulty in locating projects because they were associated with providing assisted housing. Third, assistance tied to units is often disruptive for families with children in school and seniors requiring medical facilities. And finally, assistance tied to units is expensive when new units are provided since these units are generally newly constructed units.

An alternative approach to assisting households with obtaining affordable housing has been discussed at both provincial and federal levels over the past few years. This approach, which is commonly referred to as shelter allowances, provides funding to the individual household either through an income supplement or tax reduction rather than tying assistance to a specific unit. This approach is favoured by many groups because it allows freedom of choice, is non-disruptive and is an approach which can address affordability problems quickly. Some proponents indicate that the program is less costly than existing programs, but this point has been the subject of debate.

In Ontario, the Ontario Economic Council has promoted the concept of shelter allowances for some time. The Province of Ontario, however, has shown reserved support for shelter allowance programs.

There are several alternative shelter allowance programs possible. General welfare recipients in Ontario, and in this Region for some time have received a rent supplement in addition to their welfare assistance. This supplement is based on their monthly rent and is subject to a maximum supplement. The federal government has examined several alternative shelter allowance programs. The "income gap shelter allowance plan" provides a partial subsidy for

household expenditure on accommodation where that expenditure exceeds a prescribed percentage of income (eg. an expenditure/income ratio of 35%). The "percent of rent shelter allowance plan" has received considerable attention in the United States. This plan establishes a maximum income criteria and provides shelter allowances to those households paying over a specified percentage of their income (eg. 35%) on accommodation. The "income transfer plan" concentrates directly on income and provides a subsidy based on income. These are only some of the possible programs.

Not all groups involved in assisted rental housing support the concept of shelter allowances. A major criticism of shelter allowance programs is that they tend to be inflationary. That is, with greater income provided to households for housing, landlords and builders will increase the price of housing. The net result of the program being that the household is no better off since the income supplement was transferred from the household to the landlord due to inflation of rents. Rent review restricts this practice somewhat. However, any shelter allowance program adopted should be tied more directly to non-inflationary housing. A non-inflationary shelter allowance program would have to be more restrictive in what segment of the population benefits from shelter allowances. That is, the program which is the most restrictive will impart the least amount of inflation.

Several additional criticisms have been made regarding shelter allowance programs. First, shelter allowance programs do not address the supply of affordable housing. This not only includes the number of units available but also adequate quality. Supply would have to continue to be addressed by other housing programs. Second, the introduction of a shelter allowance program would require a new administrative system, which is a cost consideration. And third, there is no direct evidence that a shelter allownace program is more cost effective at providing assisted housing than present programs which attach assistance to a specific unit rather than to the individual household.

It appears that in the near future the federal government will introduce a shelter allowance program aimed at rental households. It is expected that this program will be very limited in the groups that are provided assistance due to the federal government's budget restraint efforts. These groups will likely be low income households who are paying over a specified percentage of their income on accommodation (eg. 35%).

The impact of the introduction of this program on the need for assisted rental housing for single seniors and single parent families, identified on Tables 1 and 2 of this paper, would be to provide quick relief to their affordability problems without having to relocate to assisted rental housing. If this program were introduced in the near future, additional assisted rental housing units would likely not be required. In this respect, the possible introduction of a shelter allowance program should be considered by those municipalities looking to establish a municipal non-profit project.

3. RENT CONTROLS

The rental housing market in the Region of Waterloo prior to the introduction of rent controls in October 1975 was characterized by vacancy rates ranging from 2.3 to 3.8%. Rent increases averaged 6.6% from 1973 to 1975. The rental market was divided amongst several landlords. Most of the new rental construction was done through private funding. In general then the rental market in the Region of Waterloo in the pre-rent control period was competitive.

i) Introduction of Rent Controls in Ontario

Rent controls were introduced by the Ontario Provincial Government in October 1975 (retroactive to July 29, 1975) in conjunction with the federal government's Anti-Inflation Program of late 1975. Controls were either in place or were introduced in all ten provinces by late 1975. Rent controls have since been terminated in three provinces, Alberta, Manitoba and New Brunswick. The Ontario program was originally intended to end on July 31, 1977 but prior to that date an extension was made to December 31, 1978. In October, 1978 the program was revised and again extended, and through the Residential Tenancies Act proclaimed in August, 1979, controls were extended indefinitely.

Ontario's rent control system combines both a guideline rent increase and a cost-past-through element. From July, 1975 to October 1977 the guideline rent increase (without a review hearing) was 8%. This decreased to 6% after October, 1977. If a landlord wants to increase rents above 6% he applies for a rent review. The Residential Tenancies Commission in considering the application looks at the landlord's costs increases and his rate of return. The following principles apply to determine a rent increase:

1) if no financial loss exists a rent increase is

permitted to cover costs,

2) if a financial loss exists a rent increase is permitted to bring a landlord to a breakeven position over a three-year period, and

3) in hardship cases where a landlord is just breaking even on cash flow an additional increase can be permitted to allow total rent revenue to exceed operating costs by 2%.

Allowable costs include financing cost, utilities, property taxes, maintenance and repairs and capital expenditures.

The Ontario rent control program, through the Residential Tenancies Act, applies to all types of residential rental dwellings, regardless of the type of structure. These include single family houses, duplexes, apartment buildings, townhouses and rooms in a boarding or lodging house. There are, however, certain types of rental accommodation which are exempted from the rent review provisions of the Act, these include:

- rental units for which the monthly rent is $750 or more,
- a rental unit in a building, no part of which was occupied as a rental unit before January 1, 1976, and
- other minor exceptions include: rental residential buildings owned by the government, non-profit rental housing, non-profit co-operative housing, religious charitable housing and educational institution housing

ii) Critique of Arguments for and Against Rent Controls

Critique of Arguments for Rent Controls

Several arguments have been put forward favouring rent controls. Most of these arguments centre around the need for affordable rental housing for the poor and "rent gouging" by landlords. The most common arguments in favour of rent controls are discussed below.

First, it has often been put forward that landlords prior to rent controls exploited tenants. This is based on the assumption that the rental market is not competitive. As indicated, prior to rent controls being introduced, average rent increases in Waterloo Region were 6.6% between 1973 and 1975. This increase was significantly less than the 11% average annual increase (approximate) of the consumer price index during this period. The low rent increases were largely a function of Regional vacancy rates which ranged from 2.3% to 3.8% between 1973 and 1975.

Therefore, prior to rent controls being introduced in Ontario, the rental market in the Region of Waterloo can generally be characterized as competitive.

Since the introduction of rent controls, however, vacancy rates have decreased significantly in the Region of Waterloo. In April, 1982 the overall apartment vacancy rate for rental accommodation in the Region of Waterloo was estimated at 1.4%. With the 1,385 rental units built under the Ontario Rental Construction Loan Program being available in the 1981 to 1983 period, vacancy rates are expected to rise in the short term. A vacancy rate of close to 3% should provide a competitive market. At current vacancy rates, rent controls could only be removed with an appeal process available for high rent increases.

Second, it has been argued by some social housing groups that rent controls is a practical means of providing affordable and decent housing. An important question is at whose expense? The rent paid by the tenant is the rent received by the landlord. A return of 2% on capital invested in a rental project is hardly stimulus to build additional rental units or to maintain existing rental projects. At today's high interest rates, the landlord is receiving up to 15% less return on equity than alternative investments. To compensate the landlord will often reduce maintenance.

Third, rent controls has had the effect of an income redistribution program, from landlords to tenants. A common misconception is that landlords are generally well off and tenants, in general, face affordability difficulties. A lowering of the rate of return received by landlords, in light of continuing high rates of inflation, has resulted in numerous rental properties for sale in the Region of Waterloo. Over the past few years the

capital value of rental projects subject to rent controls has declined. In today's market, triplexes can be bought for approximately $60,000 and in many cases less. This provides a clear indication that landlords under rent controls are experiencing their own affordability problems.

The fourth argument in favour of rent controls provides some justification for reviewing rent increases. When there are few vacancies and demand increases, rents may rise rapidly until supply is increased. Rents may also rise rapidly due to the increases in the real cost of housing. With low vacancies landlords have the ability to pass these costs on and also to increase profits. With low vacancy rates the rental market does not necessarily operate competitively. In these cases some form of rent review may be justified; but perhaps rather than across the board rent controls, a system based on tenant complaints against increases may be more effective and equitable. In addition, this sytem has the advantage of eliminating itself once the market is returned to a competitive position.

Critique of Arguments Against Rent Controls

A major criticism of the rent control program in Ontario is that if the objective of the program is to provide affordable housing, the rent control program is an inefficient way to achieve this objective. Not only do those rental households facing affordability difficulties benefit from rent controls but also those households who can afford market rents benefit. In addition, it has been argued that rent controls result in a decline in maintenance standards as landlords attempt to reduce operating expenses to maintain their return on investment. These inefficiencies can be eliminated while the objective of providing affordable housing can be maintained by alternative programs such as shelter allowances. As discussed previously, this program would provide a direct income supplement for shelter only, to those families facing affordability difficulties.

A second criticism of the rent control program is that rent controls create a dual market for rents. This argument presumes that rents subject to rent controls will occupy the low end of the market rent scale, and new units not subject to rent controls will have much higher rents. This factor had not become evident

in the rental market in the Region of Waterloo until recently. With vacancy rates declining in the Region to approximately 1.1% in 1981, landlords not affected by rent controls were able to increase rents without fearing the loss of tenants.

A further indication is the much higher rents being charged for units built under the Ontario Rental Construction Loan Program. Rents for a two bedroom apartment unit in some of these projects are over $400/ month. This compares with an average rent for a two bedroom unit in Canada Mortgage and Housing's survey in October 1981, for the Kitchener Census Metropolitan Area, of $284. In Toronto, where vacancy rates have been low for some time, a study conducted in 1980 showed that units subject to rent controls had rents approximately 25% lower than uncontrolled units.

It should be noted that part of this difference in rents between controlled and uncontrolled rental units is attributable to the age and condition of units, and to differences in amenities and services provided, and not to rent controls.

A third argument against rent controls is that it reduces the amount of new rental housing constructed. Although new units are not directly subject to rent controls, the rents charged in these projects have to compete with rents being charged for units under rent controls. This effect becomes less of a factor when vacancy rates are low. In addition, it is argued that rental construction will be further tempered with the anticipation that rent controls will be extended to units built after 1975. While it is generally accepted that rent controls have had a negative impact on the amount of rental construction since 1975, there is disagreement as to the importance of this factor. Proponents of rent controls argue that controls are only a minor factor in the reduced levels of rental construction and that other factors such as high interest rates are of greater importance. It is interesting to note that while interest rates began their rapid climb in early 1979, they had remained relatively stable in the late 1975 to late 1978 period (see Figure 1). In this period, rental construction as a percentage of total residential construction in Waterloo Region declined significantly. Rental units formed 42.9% of all residential units constructed in the Region in the four year period preceding rent controls, 1972-1975 and dropped to 24.4% of all residential units constructed in the four year period 1976-1979.

FIGURE 1 MORTGAGE INTEREST RATES 1973-1981

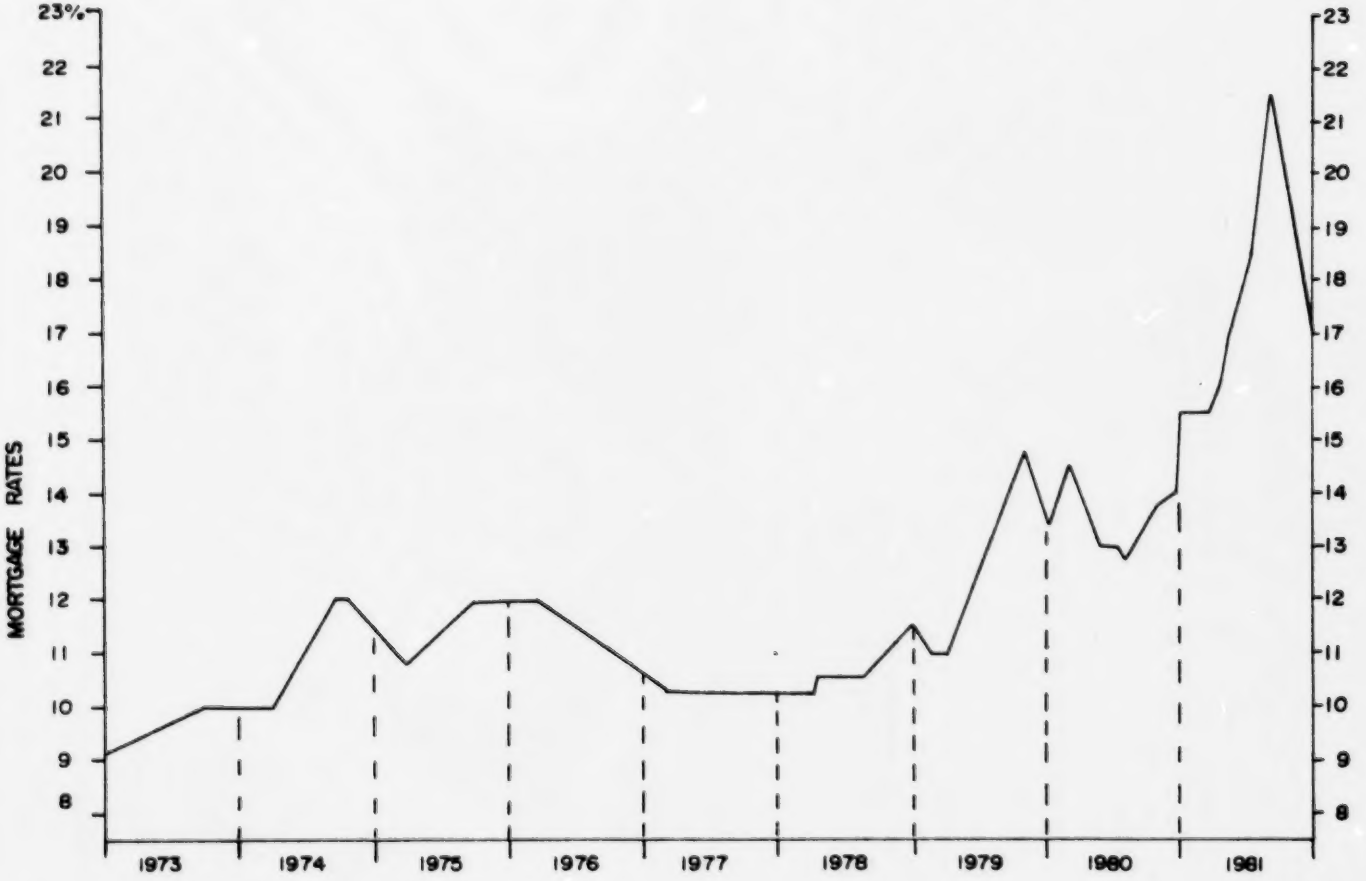


Table 4 shows vacancy rates for the Kitchener Census Metropolitan as well as apartment rental units constructed from 1972 to 1981. In the six year period since the introduction of rent controls apartment construction has declined on an average annual basis some 60%. This is largely explained by a substantial decline in household growth in this Region. Housing construction overall declined 45% on an average annual basis. Nevertheless, the most dramatic decline in residential construction occurred in rental construction.

Another factor to consider, in the amount of rental construction which did occur since the introduction of rent controls, is the extent that government assistance accounted for this construction. In 1981, 78% of the rental units constructed were constructed with assistance under the Ontario Rental Construction Loan Program. In 1982, the federal government has recently announced the introduction of Canada Rental Supply Plan in order to stimulate rental construction. This program, which is administered by C.M.H.C., provides interest free loans to encourage the construction of 30,000 rental units across Canada in areas with low vacancy rates. For Ontario as a whole, only 28% of the rental units constructed in the six year period preceding rent controls received government assistance. This compares with 64% after the introduction of rent controls. Government assistance required to increase rental construction appears to be one of the many hidden costs of rent controls.

Proponents of rent controls have argued that increased government involvement in housing construction is a positive action. This overlooks the fact that many of the rental units built with government assistance are delivered to households who can afford market rents. Funds would be better directed to those requiring assisted rental housing.

A fourth criticism levelled against rent controls is that it creates a market distortion away from ownership housing. It is argued that where a household has a choice between rental and ownership housing (that is where vacancy rates are sufficiently high to provide a choice) then the cost difference that has emerged between the rental and ownership markets, since the introduction of rent controls, plus the security of rent controls distorts the housing market in favour of rental units. Table 5, shows that average rents in this Region have in fact risen more than ownership housing. In addition, it can be

TABLE 4

VACANCY RATES AND UNITS CONSTRUCTED IN PRIVATELY INITIATED RENTAL PROJECTS WITH GREATER THAN SIX UNITS 1972-1981

	Vacancy Rate*	Rental Units in Building Permits Issued	Rental Units Constructed with Government Assistance **
1972	1.6	2,757	n.a.
1973	3.8	2,883	n.a.
1974	2.5	1,336	n.a.
1975	2.3	1,337	205
1976	2.4	668	236
1977	2.6	1,328	930
1978	2.6	257	40
1979	1.9	747	12
1980	1.1	299	94
1981	0.7	903	763

Source: * Canada Mortgage and Housing Corporation Canadian Annual Housing Statistics. The overall apartment vacancy rate for October 1981, by combining C.M.H.C. vacancy survey with the Region of Waterloo's survey is estimated at 1.1%.

** These figures do not include rental units developed under the MURB Program which was in effect between November 1974 - January, 1980 and October, 1980 - January, 1982.

TABLE 5

INDICIES OF SELECTED COSTS AND WAGES

1971 - 1981 (1976 - 100)

YEAR	SINGLE DETACHED 1)	LOW COST UNIT 1)	AVERAGE RENT 2)	INDUS. WAGES 3)	MIN. WAGES 4)	UNEMPL. INSUR. 5)	SR. PENSION SINGLE 6)	SR. PENSION COUPLE 6)	GENERAL WELFARE 7)	C.P.I. 8)
1971	--	--	--	62	62	75	50	52	--	67
1972	--	--	--	69	62	--	55	58	64	70
1973	68	--	--	73	68	--	63	66	--	76
1974	92	90	--	78	76	--	--	--	75	84
1975	94	93	--	89	90	--	--	--	100	93
1976	100	100	100	100	100	100	100	100	100	100
1977	100	100	105	109	100	120	108	109	108	108
1978	100	102	113	117	100	120	112	114	108	117
1979	105	103	118	126	108	120	126	125	114	128
1980	108	107	125	135	113	131	142	140	126	141
1981	118	111	133	150	125	142	176	167	135	154
1982	125	116	---	---	---	---	---	---	---	---

Source:
1) Royal Trust Survey of Canadian House Prices - City of Kitchener
2) Region of Waterloo Vacancy Survey, apartments in buildings with 3 to 10 units
3) Statistics Canada Employment, Hours and Earnings; Wages per week
4) Department of Labour
5) Unemployment Insurance Commission
6) Pension includes Old Age Security, Guaranteed Income Supplement and Guaranteed Annual Needs Income Supplement
7) Region of Waterloo, Department of Health & Social Services (assumes a four person household)
8) Statistics Canada, Canadian Statistical Review, Consumer Price Index

argued that where rent controls have resulted in a reduction of rental construction and consequently low vacancy rates, then rent controls has had the opposite effect, a distortion in favour of ownership units due to lack of choice.

A fifth argument against rent controls is the effect that rent controls have had on the capital value of rental properties. With the profit potential of rental properties under rent controls reduced to as low as 0%, the capital value of rental projects has increased only marginally since 1975. In the 1975 to 1981 period, it is estimated that the average per unit price of rental apartment units, in the Region of Waterloo, increased by approximately 5% per year, compared to an average annual increase in the consumer price index of 10.3%. In the 1971 to 1975 period, average apartment unit prices increased by an average 12.5% per annum, compared to an average annual increase of 9.8% in the consumer price index. Smaller apartment projects were even more adversely affected. The increase in the capital value of projects with from 4 to 6 units was only 2% for the entire period from 1976-1981. This compares to a rise in the consumer price index of 54%.

The final criticism of rent controls to be discussed here is the administration cost required to administer the program. As a result of changes made to the Residential Tenancies Act in 1979 a Residential Tenancies Commission was established to administer the Act. The main responsibility of the Commission has been determining justifiable rent increases. When one adds this cost to the cost of government programs aimed at increasing the supply of rental units, the rent control program is in fact a costly program.

iii) Rent Controls Removal

The arguments presented against rent controls in this Housing Study should not be construed as arguments against providing affordable housing for those in need of assistance. In fact, much of this Housing Study has been devoted to identifying those in need of assistance and examining assistance programs which could be used to reduce their problems. The argument presented here is that rent controls are an inefficient and inequitable means of providing assisted rental housing. In addition, where the rental market is competitive as it was in this Region prior to the introduction of rent controls, there is no economic argument for controlling rents. But where

other conditions create a lack of competition there could be an argument for controlling rents.

Since the introduction of rent controls, the vacancy rate for this Region has declined to 1.4% in April, 1982. At this vacancy level the rental market is uncompetitive. Total removal of rent controls would likely see a rapid increase in rents in this Region. It is expected that for this Region rent increases would be tempered somewhat by an expected rise in the rental vacancy rates in 1982, due to units constructed under the Ontario Rental Construction Loan Program becoming available. Nevertheless, any decontrol program must be able to address the concern of rapid rent increases.

Tnere are several alternative decontrol strategies:

1) "vacancy rate decontrol" is based on dividing Ontario into submarkets and decontrolling these submarkets when the vacancy rate is above a particular level. This decontrol process has the advantage of recognizing local conditions and allows the removal of rent controls during periods of time when markets are competitive.

2) "rent-level decontrol" removes rent controls from units as rents reach a certain minimum level. There are several arguments against this method the strongest being that it further encourages a dual market, one not only identifiable by variations in rent levels but also maintenance standards.

3) "vacancy decontrol" removes rent controls from units as they become vacant. The most striking disadvantage to this process is that landlords are almost encouraged to harass tenants in order to vacate units. In addition, this process includes significant administrative difficulties and discriminates against new tenants.

4) "gradually increasing allowable rent increase ceilings" to market levels smooths the transition to full decontrol. The fact that rent ceilings have to continue to be applied presumes that the market is not competitive. If this is the case, then some form of rent increase appeal or rent control should be applied.

For this Region it is encouraged that rent controls be removed. This should only be done, however, at a time when the local rental market is competitive. This requires a vacancy rate of 2.0%. Where the vacancy rate is below 2.0% an appeal provision should be provided for tenants on excessive rent increases. This appeal process should operate on a tenant complaint basis rather than on a rent ceiling guideline.

Removal of rent controls will increase affordability difficulties for some tenants. If Canada and Ontario's social housing objective is to provide affordable and decent housing, then greater assistance will be required from higher levels of governments to deal with these affordability difficulties. This increased assistance would replace the income transfer to tenants now provided by landlords. Under a rent decontrol system which provides an appeal process for tenants on rent increases, it should be ensured that greater government assistance would not merely mean greater profits for landlords.

Because the strategy of decontrol encouraged here depends on a competitive rental market, Province-wide decontrol is unlikely. For this reason, the Province of Ontario must look at decontrol on a geographical basis.

4. REHABILITATION

The rehabilitation of existing housing stock is an area of increasing importance in our current housing market. Factors such as high interest rates and rapidly rising energy costs are encouraging the rehabilitation and upgrading of existing residences. Also changing lifestyles and attitudes have increased demand for inner city living accommodation, and government policies and programs have been encouraging the rejuvenation of older residential areas.

Government rehabilitation programs in the 1970's were created primarily to upgrade existing residential areas without increasing residential densities. Policies were aimed at neighbourhood stabilization and rejuvenation without changing the fundamental form of the area. This attitude resulted from a negative reaction to the urban renewal programs of the 1950's and 1960's which relied upon the clearance and replacement of sub-standard housing often resulting in disruption and relocation of residents.

More recently, in response to rapidly rising energy costs, high interest rates and recognition of the need to more efficiently utilize existing structures, the concept of rehabilitation has been broadened to include such actions as retro-fitting for energy conservation, increasing densities in existing residential buildings and conversion of non-residential buildings to residential uses. Government policies and programs have been created to encourage energy conservation retro-fitting and renovation of existing buildings. The Province is encouraging municipalities to study converting non-residential buildings for residential purposes in downtown cores. In addition, Municipal Housing Statements are encouraged to make direct reference to rehabilitation and energy conservation.

i) Government Programs and Rehabilitation Assistance

Residential rehabilitation has been characterized by a shift away from federal government funding for neighbourhood infrastructure improvement to increasing responsibilities for provincial and local municipal governments. Federal financial assistance for rehabilitation is now focused on direct financial assistance to individual homeowners as opposed to the earlier Neighbourhood Improvement Program (NIP) aimed at upgrading municipal services, roads, sidewalks, etc.

The federal government was a key proponent of renabilitation in the early 1970's and created numerous programs to assist and promote the rehabilitation of residential areas. The Neighbourhood Improvement Program (NIP) was introduced in 1973 with the goal of arresting the decline of urban neighbourhoods. Federal assistance, through the Canada Mortgage and Housing Corporation (C.M.H.C.), was available to municipalities to assist in identifying improvement areas, developing rehabilitation planning processes, providing for citizen participation and upgrading local services and social facilities. In conjunction with the N.I.P. program, the federal government introduced the Residential Rehabilitation Assistance Program (R.R.A.P.) in 1973 to provide financial assistance to home owners, eligible landlords, non-profit corporations and co-operatives in order to improve substandard dwellings located within N.I.P. areas. The N.I.P. program expired in March 1978. Those areas designated under the program continue to be

funded to permit implementation of the projects. In addition, the federal government has extended the Residential Rehabilitation Assistance Program to areas now covered by the Province's Ontario Neighbourhood Improvement Program. Funding under this program has been increased.

To provide increased flexibility to the provinces and local municipalities the Neighbourhood Improvement Program was replaced by a block funding program known as the Community Services Contribution Program (C.S.C.P.). Under this program funding could continue to be allocated to neighbourhood improvement and municipal infrastructure projects. The C.S.C.P. was terminated in 1980 without any replacement providing joint Federal/Provincial/ Municipal funding programs.

In addition to the Residential Rehabilitation Assistance Program, the federal government has recently introduced the Canadian Home Renovation Plan (C.H.R.P.) also aimed at providing financial assistance to homeowners upgrading their residences. This program provides financial assistance for a wider range of home improvements than is permissible under the R.R.A.P. Program. The federal government also provides grants to homeowners to improve the energy efficiency of their home under the Canadian Home Insulation Plan.

The Province of Ontario has introduced several rehabilitation programs. In 1974, the Ontario Home Renewal Program was introduced. The Program, which is similar to Federal Residential Rehabilitation Assistance Program, provides financial assistance to qualified homeowners in making structural repairs and improvements to their homes. Unlike the federal Program, assistance under the Ontario Home Renewal Program is not restricted to identified neighbourhoods. The Program has an eligibility restriction based on the applicant's income.

In 1981, the Province introduced the Ontario Neighbourhood Improvement Plan. The Program is similar to the defunct federal Neighbourhood Improvement Program. Eligible costs include preparation and refinement of redevelopment plans, capital costs for improvement and/or construction of social and recreational facilities and hard services, as well as administration cost. The cost of the program is shared equally between the province and the municipality.

The Ontario Provincial Government in May, 1982 announced a number of new financial assistance programs under the umbrella title of 'Challenge 2000' which will assist in private residential rehabilitation and the conversion of non-residential buildings to residential use.

The "Inno-rent" Program encourages innovative forms of rental construction and conversion. The program provides interest free loans to acceptable developments and is targeted primarily at innovative mixed use developments. This program stresses municipal involvement. Priority in funding will be given to projects in municipalities which have no lot levies or those who reduce or eliminate them for the project.

The Rent/Hab Demonstration Project Program has been introduced to encourage the preservation of rental housing through rehabilitation and the creation of new residential units in existing residential buildings. Municipalities that take part in the Rent/Hab program must have maintenance and occupancy by-laws in place.

The Province of Ontario as part of the Building Rehabilitation and Improvement Campaign (B.R.I.C.) also has made funding available for the rehabilitation of properties designated under the Ontario Heritage Act, 1974.

ii) Municipal Involvement in Rehabilitation

Most of the area municipalities in the Region of Waterloo are participating in the Ontario Home Renewal Program. Approximately 110 dwelling units are improved per year in the Region under this Program. The average cost for each unit rehabilitated range from just over $2,000 in Kitchener and Waterloo to just over $4,000 in Cambridge.

The cities of Cambridge and Kitchener are also participating in the Ontario Neighbourhood Improvement Program. In Kitchener, one neighbourhood has received approval for funding under this program (the Cedar Hill and Mill/ Courtland area) and in Cambridge an application has been made for funding for a neighbourhood in Preston. Cambridge has also participated in the now defunct Neighbourhood Improvement Program to improve the Eagle Street Area in Hespeler. In addition, Cambridge is

receiving funding under the Federal Community Services Contribution Program to improve residential neighbourhoods surrounding the Galt core.

Both Kitchener and Cambridge have also examined the funding possibilities of Heritage Canada. Cambridge has applied to Heritage Canada under the Main Street Canada Program for assistance in examining the re-development potential in Galt; particularly for residential units above stores in the downtown area. In Kitchener, the possibility of designating the Victoria Park Area as a Heritage District as a means of promoting residential restoration is being examined.

New provincial rehabilitation assistance programs such as Inno-Rent put a greater emphasis on municipal involvement and stress the importance of a positive municipal attitude. In this Region there is a potential for a variety of projects under this Program. There are possible sites in all urban cores and a number of groups in this area have expressed an interest in participating in this Program. Projects similar to those funded under the program have been completed in Cambridge (Preston School House) and Kitchener (House of Friendship) without this assistance. Both the Area Municipalities and the Region should consider reducing or eliminating lot levies for projects where funding under the Inno-Rent Program is requested in order to qualify for the Program.

iii) Municipal Policy and Rehabilitation

Official Plans, Secondary Plans and Zoning By-laws

Official Plans, Secondary Plans and Zoning By-laws are important mechanisms in promoting rehabilitation. It is expected that private financing of rehabilitation will become increasingly important. The availability of private financing is largely dependent upon neighbourhood confidence in Official Plans, Secondary Plans and Zoning By-laws for protecting and promoting investment.

Official Plans, Secondary Plans and Zoning By-laws can take a lead role in promoting neighbourhood rehabilitation. Official Plans and Secondary Plans can identify neighbourhoods where rehabilitation is to be

encouraged. This would normally include identifying incompatible uses and possibly policies encouraging the removal of incompatible land uses. In addition, zoning can be introduced to discourage the introduction of incompatible land uses. Official Plans and Zoning By-laws could also be used to promote innovative forms of rehabilitation, particularly for mixing residential uses with commercial uses.

The draft Cambridge Official Plan establishes policies which provide a strong commitment for residential rehabilitation. Besides encouraging rehabilitation of existing housing stock, the Plan also encourages the introduction of residential uses in core areas, through rehabilitation of existing structures as well as new construction. In the Kitchener and Waterloo Official Plans rehabilitation is encouraged. Development of rehabilitation policy primarily occurs, however, in Secondary and Community Plans. The zoning by-laws of all three cities permit the duplexing of single family detached units, subject to meeting minimum lot size and setback requirements.

All three urban municipalities in the Region have undertaken detailed secondary planning in their downtown areas. Core area studies have been undertaken or are in the process of being completed in Kitchener, Waterloo and Cambridge (Hespeler, Preston and Galt). In each of these studies higher residential densities adjacent to tne downtown core areas have been generally promoted. Kitchener has expanded its secondary planning process to include inner city neighbourhoods. Neighbourhood profiles have been developed for several inner city neighbourhoods, including an examination of building conditions and existing services in these neighbourhoods. As a result of these studies, the City of Kitchener has applied for and received funding under the Ontario Neighbourhood Improvement Program for rehabilitation programs in two neighbourhoods.

Maintenance and Occupancy By-laws

Section 36 of The Planning Act enables municipalities to pass a by-law which imposes minimum maintenance and occupancy standards on residences. The Regional Official Policies Plan encourages all area municipalities to establish and enforce a maintenance and occupancy by-law.

At present, the cities of Kitchener and Cambridge have passed maintenance and occupancy by-laws and the City of Waterloo and the Townships of North Dumfries and Woolwich have established housing standard statements in order to be eligible for funding under the Ontario Home Renewal Program. These housing standard statements apply only to those residences rehabilitated under the Ontario Home Renewal Program. Municipalities that take part in the Rent/Hab Program must have maintenance and occupancy by-laws in place. Maintenance and occupancy standard by-laws can regulate both building interior and exterior. The by-law requires that properties not conforming be repaired and maintained. Enforcement of maintenance and occupancy by-laws in Kitchener and Cambridge are generally done on a complaint basis.

The enforcement of a maintenance and occupancy by-law can often result in new problems. Financial hardship for low income families may result from enforcement of minimum standards. Also for rental properties, rapid rent increases may occur in order to offset increased maintenance costs. (rent control legislation permits increased maintenance costs as legitimate "cost-pass-through expenses"). In the City of Waterloo, strict enforcement of a maintenance and occupancy by-law could result in a housing shortage for students.

A residential rehabilitation program is highly dependent upon local conditions. Official Plans, Secondary Plans and Zoning By-laws are unique to area municipalities, recognizing different municipal objectives. Also municipalities are often faced with unique problems, such as student housing. These concerns alone suggest that a standard maintenance and occupancy by-law throughout the Region is not practical.

iv) Attitudes Towards Rehabilitation

Neighbourhood Attitudes

Generally, there are no neighbourhood concerns about rehabilitation when rehabilitation only affects improved property standards. However, when residential densities are increased through rehabilitation there is often a mixed reaction towards rehabilitation. Residents are concerned about zone changes and how their property values will be effected by these changes. Surprisingly, an Ontario study which was recently completed on attitudes towards rehabilitation found that in many cases citizens

were not as supportive of renovating extremely rundown areas but often preferred demolition and redevelopment with low rise housing.

Studies conducted in some area municipalities in the Region of Waterloo and also in Toronto have demonstrated a reluctance by residents to invest in upgrading residential properties before assurances are given as to the long term stability of their residential area. This reluctance is usually reduced as residents become more directly involved in the planning process for their neighbourhood and as assurances for stability are provided.

An additional factor often discouraging residential rehabilitation is the effect of improvements on assessment values and consequently, on property taxes. The Regional Assessment Office has indicated that often improvements will not increase property assessments. The Regional Assessment Office encourages consultation with them on rehabilitation projects prior to initiating renovation projects. This should normally determine the possible effects of renovating on property values.

Attitudes of Renovators

Local builders participating in renovating have expressed concerns regarding the application of the H.U.D.A.C. warranty program to renovation and also the application of health and safety standards to rehabilitation projects. Many local renovators also expressed the opinion that increasing density through residential rehabilitation is not economically viable in this Region at present interest rates.

Lending institutions have also shown a reluctance towards some forms of renovation. On rehabilitation of existing residential units lenders are reluctant to finance projects which in their estimation are overimproving a property. Renovation cannot change location factors which to a large extent determine market value. Lenders also appear to be reluctant to provide funding for conversion of non-residential buildings to residential uses. Innovative conversion projects such as residential uses over stores in downtown areas may require direct government financing or government insurance on private funding in order to get projects off the ground.

v) Health and Safety Standards in Residential Rehabilitation

The Province of Ontario is actively considering policies which will affect the fire and safety standards applied to building renovation. Currently, renovations must meet minimum standard requirements set out in the Ontario Building Code and Ontario Fire Code. The Province has established a review board to examine this issue, members include representatives of the Ministry of Municipal Affairs and Housing, Ministry of Energy, Association of Municipalities of Ontario, HUDAC, the Urban Development Institute, architects, property standards officers and fire departments. The review board has accepted the principle of 'compliance alternatives' as proposed by HUDAC and the Urban Development Institute (U.D.I.) representatives, to introduce some flexibility in the application of fire and safety standards to residential rehabilitation. This system would allow trade-off allowances to meet minimum health and safety requirements. For example, if it was physically difficult to provide a required second entrance to an existing building being rehabilitated for residential use then a sprinkler fire system could be installed as an alternative method of meeting minimum safety standards.

The review board is proposing that a separate rehabilitation section be introduced into the Ontario Building Code. The Ontario Building Code would continue to apply to all new residential construction and to buildings up to five years old. Renovation of buildings older than five years would be subject only to the standards established in the rehabilitation section of the Code. Fire officials have agreed that fire regulations be included in the new rehabilitation section of the Ontario Building Code and that the Ontario Fire Code will not apply.

The key to a rehabilitation section as part of the Ontario Building Code would be the use of 'compliance alternatives' and no reduction in life safety standards. Human safety is not being traded off to make rehabilitation more economical, rather more innovative ways of meeting existing life safety standards are being proposed to meet the particular needs of rehabilitation.

vi) Summary

In the 1975 Regional Housing Study an estimate was provided on the number of units likely to be rehabilitated

annually in the Region of Waterloo. Target estimates were based upon available funding under the Ontario Home Renewal Program. Under this Program funds are available at the rate of $2 per capita for Kitchener and $3 per capita per annum for the remaining municipalities. Using 1981 population estimates, approximately $800,000 could be available under the Ontario Home Renewal Program for the Region of Waterloo on an annual basis. Using an average construction cost of $3,000 for each project, a total of 265 residential units could be rehabilitated annually. In actual fact, however, an average of 110 residential units per annum have been rehabilitated in the Region over the past six years. Some municipalities, however, have expressed a desire to increase the number of residential units rehabilitated annually under the Ontario Home Renewal Program.

The provincial rehabilitation programs stress the importance of municipal commitment to rehabilitation. Provincial programs require municipalities to have maintenance and occupancy by-laws or in some cases a municipal housing standard statement. The Inno-Rent Program is particularly suited to residential conversions in inner core areas and is aimed at municipalities exhibiting a high degree of commitment to rehabilitation. If suitable residential rehabilitation/conversion projects are proposed for the core areas of the three urban centres both the local municipalities and the Region should consider reducing the applicable lot levies to indicate this commitment.

The importance of residential rehabilitation both for energy retrofitting and for extending the life of the housing stock has been generally recognized in this Region. In addition, some area municipalities have expressed an interest in increasing residential densities in core areas. Further study of this issue should be done in conjunction with core area studies. In order to accomplish this, provincial funding for a housing component to core area studies has to be made available.

GLOSSARY OF TERMS

Census Family consists of a husband and a wife (with or without children who have never married, regardless of age) or a lone parent, regardless of marital status, with one or more children (who have never married, regardless of age) living in the same dwelling. Persons living common-law are directed to report as now married on the census questionnaire. Such persons are, therefore, indistinguishable from those who are legally married and will appear as a husband-wife family in the census reports.

Dwelling Unit is a set of living quarters which is structurally separate and has a private entrance outside the building or from a common stairway or hall inside, i.e., the entrance must be one which can be used without passing through anyone else's living quarters.

Expenditure to Income Ratio (Renters) is the total amount paid for gross rent (cash plus any additional payments for utilities and services) divided by gross family income.

Family Household refers to a household that contains at least one census family. One-Family Household refers to a single census family that occupies one private dwelling. The family may be that of the household head or one living as a related, lodging or other type of family with a household head who is a non-family person. A Multiple-Family Household is one in which two or more census families occupy the same private dwelling. One family may be that of the household head, or the household head may be a non-family person with whom two or more census families are residing.

Head of Household:

For census purposes, every household has a head and only one person is so designated. This is either the husband or the wife; the parent where there is one parent only, with one or more children (who have never married, regardless of age); or any member of a group sharing a dwelling equally. A person occupying a dwelling alone is always reported as the head. The minimum age for the head of household is 15 years.

Household refers to a person or group of persons who occupy a dwelling and do not have a usual place of residence elsewhere in Canada. It usually consists of a family group with or without lodgers, employees, etc. However, it may consist of two or more families sharing a dwelling, a group of unrelated persons, or one person living alone.

Household Size is the total number of persons in the household.

Housing Demand is defined here as the growth in households over a defined period. In forecasting housing demand economic and social factors are taken into account as well as changes in population.

Housing Needs is the probable growth in households over a defined period where there is no significant economic constraint on the growth in the number of households. In forecasting housing needs social factors are taken into account as well as changes in population.

Non-Family Household refers to one person who lives alone in a private dwelling, or to a group of persons who occupy one private dwelling and do not constitute a census family.

Percentage Probability of Household Formation refers to the likelihood of a person in a specified age category of forming a separate household.

Real Income refers to the actual rise in incomes after discounting the rate of inflation.

APPENDIX A

FOLD
HERE

Ministry of
Municipal Affairs
and Housing

For Office
Use Only

Non-Profit Housing Survey

Please answer each question by checking the appropriate box or writing your answer next to the question. When you are finished, please mail the questionnaire in the postage-paid envelope provided. The information you provide will be kept strictly confidential. **PLEASE PRINT.**

1. Considering what you know about non-profit housing, are you interested in renting a Non-Profit Housing Unit sometime in the next few years?

   Yes, interested ☐ Please complete the remainder of the questionnaire. (questions 2-26)

   No, not interested ☐ Please answer questions 2 and 3 and return the questionnaire as soon as possible in the postage-paid envelope. (It is important that we receive your answer, even if you are not interested in non-profit housing.

2. Please provide the following information on those people <u>including you</u> who normally make up the household.

Relationship (Self, Spouse, Child, etc.)	Age	Sex

1622-60 (4/82)

☐ 1
☐ 2
☐ 3
■ 4
☐ 5
☐ 6
☐ 7
☐ 8
☐ 9
☐ 10
☐ 11
☐ 12
☐ 13
☐ 14
☐ 15
☐ 16
☐ 17
☐ 18
☐ 19
☐ 20
☐ 21
☐ 22
☐ 23
☐ 24
☐ 25
☐ 26
☐ 27
☐ 28

For Office Use Only

3. Do you rent or own the place where you live?

Rent ☐ Own ☐ Other (specify)_____ ☐ 29

If you are not interested in non-profit housing, please send the questionnaire back to us in the postage-paid envelope provided. Thank you.

For those interested in non-profit housing ☐ 30

For those who have indicated an interest in non-profit housing, please answer the following questions to help us find out more about what you would want in non-profit housing.

This is a survey and not an application. Your name is not necessary for our survey purposes. However, if you want to apply for a non-profit unit, please provide the following information so we can contact you at a later date.

NAME:_____ TELEPHONE:_____

ADDRESS:_____
Street and No.

_____
City

4. If a dwelling was offered to you, how soon would you be willing to move. ☐ 31

Immediately ☐ Five years or more ☐

Within 2 years ☐ Uncertain When ☐

In 3 to 5 years ☐

5. How many bedrooms would you require in a non-profit housing unit?_____ ☐ 32

For Office Use Only

6. What do you presently pay per month for the place where you live? ☐33 ☐34 ☐35 ☐36

$ _____ + $ _____ = $ _____

Rent or Mortgage and Tax Payments | Heat/Hydro/Gas Water (if not incl. in your rent) | Total

7. Please indicate your first and second choice of location where you would most like to see a project build. ■37

First Choice: _____

Second Choice: _____

Please read these paragraphs carefully.

There are two kinds of rents in Non-Profit Housing: rent at the market level, and rent-geared-to-income (for those who qualify). The enclosed letter indicates the market rents that would be charged in these non-profit projects. There are no restrictions (income, etc.) for households wishing to rent a market unit.

However, **RENT-GEARED-TO-INCOME ASSISTANCE** will be available for some low-income families with children, households with handicapped persons, and senior citizens. The need for assistance with your rent will be established by examining your present circumstances (current housing, health, and financial situation). A point system is used to evaluate need so that those in the greatest need will have the highest number of points. If you qualify, you will be required to spend not more than 25% of your gross monthly income on rent. For example, if your gross monthly household income is $400, you would pay $100 rent under this program.

8. Is your interest in renting non-profit housing in a: ☐38

(a) Market rent unit ☐ **(Thank you for your assistance. Please mail the questionnaire in the postage-paid envelope)**

(b) Rent-geared-to-income unit ☐ **(Please complete the rest of the questionnaire)**

(c) Either a market rent or rent-geared-to-income unit. ☐ **(Please complete the rest of the questionnaire)**

For Office Use Only

For those interested in rent-geared-to-income housing

Your answers to the following questions will help us to assess your need for a rent-geared-to-income unit. Please answer ALL of the remaining questions. All answers will be considered confidential.

9. How many bedroom do you have now? _____ ☐ 39

10. (a) Do you have your own kitchen facilities? ☐ 40
Yes ☐ No ☐ Shared ☐

(b) Does the kitchen have each of the following:

(i) Hot and cold running water? ☐ 41
Yes ☐ No ☐

(ii) A stove in good working order? ☐ 42
Yes ☐ No ☐

(iii) A refrigerator in good working order? ☐ 43
Yes ☐ No ☐

11. (a) Do you have your own bathroom facilities? ☐ 44
Yes ☐ No ☐ Shared ☐

(b) Does the bathroom have each of the following?

(i) Hot and cold running water? ☐ 45
Yes ☐ No ☐

(ii) A toilet? ☐ 46
Yes ☐ No ☐

(iii) A sink? ☐ 47
Yes ☐ No ☐

(iv) A bath or shower? ☐ 48
Yes ☐ No ☐

For Office Use Only

12. Does every room other than the bathroom and kitchen have at least one window which can be opened? ☐ 49
Yes ☐ No ☐

13. Is there outdoor, off-the-street space close to where you live (for example a yard or park) suitable for recreation for adults and children? ☐ 50
Yes ☐ No ☐

14. Is your apartment heated adequately? ☐ 51
Yes ☐ No ☐

15. Is your present accommodation in need of any repairs? ☐ 52

No, only regular maintenance is needed ☐

Yes, minor repairs are needed ☐

Yes, major repairs are needed ☐

16. Does any member of your household have difficulty climbing stairs in your home? ☐ 53
Yes ☐ No ☐

17. Does any member of your household require the use of a wheelchair or otherwise have a physical disability that makes living difficult where you are now? ☐ 54
Yes ☐ No ☐

For Office Use Only

18. (a) Does your present housing make worse any health condition of any member of the household?
Yes ☐ No ☐ 55

(b) If yes, explain briefly. _____

_____

_____

_____

19. Do you have adequate transportation to shopping, churches, medical facilities, schools, etc.?
Yes ☐ No ☐ 56

20. (a) Is any member of your household unable to live with you due to your present housing conditions? (e.g. a spouse or dependent requiring special accommodation for a disability).
Yes ☐ No ☐ 57

(b) If yes, please explain _____

_____

_____

_____

21. Do you find there is too much upkeep in your present dwelling.
Yes ☐ No ☐ 58

For Office Use Only

22. Please list your household's monthly income (before taxes or deductions). All information is held strictly confidential.

Source	Respondent	Spouse	Other	
Employment Earnings				59 60 61 62 63
Employment Pension				64 65 66 67 68
General Welfare Allowance or Family Benefits				69 70 71 72 73
Unemployment Insurance				74 75 76 77 78
Disability Pension or D.V.A.				79 80 81 82 83
Old Age Pension & Supplement				84 85 86 87 88
Guaranteed Annual Income Supplement				89 90 91 92 93
Canada Pension Plan				94 95 96 97 98
Other (Specify)				99 100 101 102 103

Answer Question 23 Only if you own your home.

23. Estimate the equity of your house and land (expected selling price minus outstanding mortgages). $_____

104

For Office Use Only

24. Please indicate the value of all assets you and your spouse may have (excluding your home).

Assets	Amount of Investment	
Bank Accounts		105 106 107 108 109 110
Guaranteed Income Certificate (GIC)		111 112 113 114 115 116
Mortgages		117 118 119 120 121 122
Stocks, Bonds		123 124 125 126 127 128
Other		129 130 131 132 133 134

25. Do either you or your spouse hold:

	Respondent		Spouse		
Canadian Citizen	Yes ☐	No ☐	Yes ☐	No ☐	135 136
Landed Immigrant	Yes ☐	No ☐	Yes ☐	No ☐	137 138
Special Immigration Permit	Yes ☐	No ☐	Yes ☐	No ☐	139 140

26. If you were not able to get rental assistance, would you be interested in renting non-profit housing at the market rent?

Yes, would consider market units. ☐ 141

No, only interested in assisted. ☐ 142

27. Are you currently living in cooperative housing, non-profit housing, OHC housing or other subsidized housing?

Yes ☐ No ☐ 143

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Thank you for your cooperation. Please return the questionnaire in the postage-paid envelope provided.